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Counsel to the Debtors and Debtors
in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

- - - - - x
In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
: Jointly Administered
Debtors. :
: Obj. Deadline: November 11, 2010
- - - - - x at 5:00 p.m. (ET)

**NOTICE OF PROPOSED SETTLEMENT AGREEMENT AND STIPULATION BY
AND BETWEEN THE DEBTORS, ACER AMERICA CORP., ACER SERVICE
CORP. GATEWAY, INC., GATEWAY US RETAIL, INC.,
AND EMACHINES, INC.**

PLEASE TAKE NOTICE that, on August 10, 2009, the United States Bankruptcy Court for the Eastern District of Virginia (the "Bankruptcy Court") entered the Order Pursuant to 11 U.S.C. §§ 105 and 363, and Fed. R. Bankr. P. 2002, 9006, and 9019 Authorizing the Establishment of Procedures to Settle Certain Pre-Petition and Post-Petition Claims and Causes of Action Without Further Court Approval

(the "Settlement Procedures Order") (Docket No. 4401).¹ A copy of the Settlement Procedures Order (without exhibits) is annexed as Exhibit 1.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Settlement Procedures Order, the above-captioned debtors and debtors in possession (collectively, the "Debtors")² are authorized to negotiate and enter into stipulation and settlement agreements with third parties, subject to the procedures set forth in the Settlement Procedures Order and outlined herein.

PLEASE TAKE FURTHER NOTICE that, at this time, the Debtors have entered into a stipulation and settlement agreement (the "Settlement Agreement") with Acer America Corp., Acer Service Corp., Gateway, Inc., Gateway US Retail, Inc. and Emachines, Inc. (collectively, the "Acer Group"), a copy of which is annexed as Exhibit 2.

SUMMARY OF SETTLEMENT AGREEMENT TERMS³

¹ Capitalized terms not defined herein shall have the meanings ascribed to them in the Settlement Agreement (defined below) or the Settlement Procedures Order.

² The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), PRAHS, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courchevel, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for Circuit City Stores West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado 80031. For all other Debtors, the address was 9950 Mayland Drive, Richmond, Virginia 23233 and currently is 4951 Lake Brook Drive, Glen Allen, VA 23060.

³ This section of the notice constitutes a summary of the material terms of the Settlement Agreement and is being provided for convenience only and should not be relied upon in any way. All parties are strongly encouraged to review the Settlement Agreement in its entirety. In the event there is a conflict between the notice and the Settlement Agreement, the Settlement Agreement shall control in all respects.

PLEASE TAKE FURTHER NOTICE that, in accordance with paragraph 10(b) of the Settlement Procedures Order, the material terms of the Settlement Agreement are as follows:

- (i) This is a Tier II Settlement.
- (ii) The Settlement Agreement is by and between the Debtors and Acer America Corp., Acer Service Corp., Gateway, Inc., Gateway US Retail, Inc. and Emachines, Inc.
- (iii) The Acer Group and the Debtors were parties to certain agreements under which the Debtors purchased goods from the Acer Group for resale in the Debtors stores and on its website.
- (iv) Acer America Corp. filed proof of claim number 1769 ("Claim No. 1769") on or about December 11, 2008, asserting a general unsecured non-priority claim in the amount of \$66,982.66 against Circuit City. Acer America Corp. filed proof of claim number 6855 ("Claim No. 6855") on or about January 28, 2009, asserting a secured claim in the amount of \$989,019.34 against Circuit City. Acer America Corp. filed an administrative expense request ("Claim No. 14279") on or about June 29, 2009, asserting an administrative expense claim in the amount of \$65,140.02 and seeking to setoff that amount against \$215,563.37 of credits due and owing to Circuit City for marketing Acer America Corp. goods.
- (v) Acer Service Corp. filed proof of claim number 6851 ("Claim No. 6851") on or about January 28, 2009, asserting a secured claim in the amount of \$1,158.36 and a general unsecured non-priority claim in the amount

of \$7,892.96 against Circuit City. Acer Service Corp. filed an administrative expense request ("Claim No. 14273") on or about June 29, 2009, asserting an administrative expense claim in the amount of \$18,916.70 and seeking to setoff that amount against \$1,635.98 of credits due and owing to Circuit City on account of returned merchandise, reducing the remaining asserted claim to \$17,280.72.

- (vi) Gateway, Inc. filed proof of claim number 6572 ("Claim No. 6572") on or about January 28, 2009, asserting secured claim in the amount of \$1,378,312.73 and a general unsecured non-priority claim in the amount of \$721,729.73 against Circuit City.
- (vii) Gateway US Retail, Inc. filed proof of claim number 8164 ("Claim No. 8164") on or about January 29, 2009, asserting secured claim in the amount of \$1,378,312.73 and a general unsecured non-priority claim in the amount of \$721,729.73. Gateway US Retail, Inc. filed an administrative expense request ("Claim No. 14281") on or about June 29, 2009, asserting an administrative expense claim in the amount of \$874.20 and seeking to setoff that amount against \$9,450.00 of credits due and owing to Circuit City on account of post-petition warranty repair work.
- (viii) The Debtors listed EMachines, Inc. as having a disputed and unliquidated general unsecured non-priority claim in the amount of \$949,527.31 on schedule F (the "Schedule F Claim").
- (ix) The Debtors assert the Acer Group is liable to the Debtors for accounts receivables in

an amount not less than \$ 3,733,995 (the "Accounts Receivables"). Based on a preliminary analysis, the Debtors also believe that the Acer Group may have received transfers from the Debtors which may be avoidable under chapter 5 of the Bankruptcy Code (the "Alleged Avoidance Actions").

- (x) The Debtors dispute their liability to the Acer Group with respect to Claims Nos. 1769, 6855, 14279, 6851, 14273, 6572, 8164, 14281 and the Schedule F Claim (collectively, the "Acer Group Claims").
- (xi) The Acer Group disputes its liability to the Debtors with respect to the Accounts Receivables. The Acer Group further contends that it did not receive any potentially avoidable transfers and that any transfers received by the Acer Group, including the Alleged Avoidance Actions, are subject to defenses and are not avoidable under any avoiding power of the Debtors.
- (xii) After extensive, good faith negotiations, and in order to avoid the expense, delay and risk of litigation, the Parties have determined to consensually resolve certain disputed matters between the Parties by the Settlement Agreement.
- (xiii) Pursuant to the Settlement Agreement, except as otherwise provided therein: (i) the Acer Group including Acer America Corp., Acer Service Corp., Gateway, Inc., Gateway US Retail, Inc. and Emachines, Inc. and their successors and assigns agree to fully and irrevocably waive and release any and all claims and causes of action that have

been, may have been, or could have been asserted by the Acer Group including Acer America Corp., Acer Service Corp., Gateway, Inc., Gateway US Retail, Inc. and Emachines, Inc. and their affiliates against the Debtors and their estates, including but not limited to the Acer Group Claims; and (ii) the Debtors, on behalf of themselves and each on behalf of their respective estates, successors, and assigns, agree to fully and irrevocably waive and release any and all claims and causes of action against the Acer Group, including but not limited to the Accounts Receivables claims (the "Releases").

(xiv) Notwithstanding anything to the contrary in the Settlement Agreement: (i) the Releases are not intended as general releases or waivers and nothing in the Settlement Agreement shall be construed as such; (ii) the Acer Group and the Debtors specifically acknowledge and agree that the Settlement Agreement is not intended to, and does not, release or otherwise affect in any way any actual claims or causes of action now or hereinafter asserted in, based on, or relating to the MDL Proceeding; (iii) all of the Debtors' legal and equitable rights, claims, causes of action, remedies, and arguments under Chapter 5 of the Bankruptcy Code, including but not limited to the Alleged Avoidance Actions, are expressly reserved as against the Acer Group including Acer America Corp., Acer Service Corp., Gateway, Inc., Gateway US Retail, Inc. and Emachines, Inc. and their affiliates; and (iv) all of the Acer Group's legal and equitable rights, arguments and defenses under Chapter 5 of the Bankruptcy Code, including with respect to the Alleged Avoidance Actions and any claims under Bankruptcy Code section 502(h), are expressly reserved.

**TIME AND PLACE FOR FILING OBJECTIONS TO THE PROPOSED
AGREEMENT OR REQUESTING ADDITIONAL INFORMATION OR TIME TO
CONSIDER THE SETTLEMENT AGREEMENT**

PLEASE TAKE FURTHER NOTICE that, in accordance with paragraph 10(c) of the Settlement Procedures Order, any Notice Party may object (each an "Objection") to or request additional time or information (each a "Request") to evaluate the Settlement Agreement.

PLEASE TAKE FURTHER NOTICE that all Objections and Requests must be in writing and received by counsel to the Debtors and counsel to the Official Committee of Unsecured Creditors (see information below) by no later than **November 11, 2010 at 5:00 p.m. (ET)** (the "Objection Deadline"). Each Objection or Request must be served on (i) the attorneys for the Debtors, (a) Skadden, Arps, Slate, Meagher & Flom, LLP, One Rodney Square, P.O. Box 636, Wilmington, DE 19899, Attn: Gregg M. Galardi (gregg.galardi@skadden.com) and Ian S. Fredericks (ian.fredericks@skadden.com) and (b) McGuireWoods LLP, One James Center, 901 E. Cary Street, Richmond, VA 23219, Attn: Douglas M. Foley (dfoley@mcguirewoods.com) and Daniel F. Blanks (dblanks@mcguirewoods.com), and (ii)(a) Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 11th Floor, Los Angeles, California 90067-4100, Attn: Jeff Pomerantz (jpomerantz@pszjlaw.com) and (b) 780 Third Avenue, 36th Floor, New York, NY 10017-2024, Attn: Robert Feinstein (rfeinstein@pszjlaw.com).

PLEASE TAKE FURTHER NOTICE that if you object to the Settlement Agreement and you do not want the Debtors to proceed with the Settlement Agreement or you want the Court to consider your views concerning the Settlement Agreement, you or your attorney must also:

file in writing with the Court, Clerk of Court, United States Bankruptcy Court, 701 East Broad Street, Suite 4000, Richmond, Virginia 23219, or electronically (www.vaeb.uscourts.gov), a written Objection pursuant to Local Bankruptcy Rule 9013-1(H). If you mail your Objection to the Court for filing, you must mail it early enough so the Court will receive it on or before **November 11, 2010 at 5:00 p.m. (ET)**.

Any Objection to the Settlement Agreement must be submitted by the method described in the foregoing sentence. Objections will be deemed filed only when actually received at the address listed above.

PLEASE TAKE FURTHER NOTICE that, pursuant to paragraph 10(d) of the Settlement Procedures Order, if a Notice Party submits a Request, only such Notice Party shall have the later of (i) an additional five (5) days to object to the Agreement or (ii) in the case of a Request for additional information, three (3) days after receipt by the Notice Party of the additional information requested. Each Notice Party may only make one Request for additional time per Settlement Agreement, unless otherwise agreed to by the Debtors in their sole discretion.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

PLEASE TAKE FURTHER NOTICE that, pursuant to paragraph 10(c) of the Settlement Procedures Order, if no Objection or Request is filed and served upon counsel for the Debtors and counsel for the Committee of Unsecured Creditors or counsel to the Debtors and counsel for the Committee of Unsecured Creditors do not receive a Request prior to the expiration of the Objection Deadline, as may be extended by Requests, if any, the Debtors shall be authorized to enter into and consummate the Settlement Agreement without further order of the Court or any other action by the Debtors.

Dated: October 28, 2010
Richmond, Virginia

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- and -

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- and -

MCGUIREWOODS LLP

/s/ Douglas M. Foley
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Sarah B. Boehm (VSB No. 45201)
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(804) 775-1000

Counsel for Debtors and Debtors
in Possession

EXHIBIT 1

(Settlement Procedures Order w/out Exhibit(s))

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Counsel to the Debtors and
Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

----- x
In re: : Chapter 11
: CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
: Debtors. : Jointly Administered

ORDER UNDER 11 U.S.C. §§ 105 AND 363, AND FED. R. BANKR. P. 2002, 9006, AND 9019 AUTHORIZING THE ESTABLISHMENT OF PROCEDURES TO SETTLE CERTAIN PRE-PETITION AND POST-PETITION CLAIMS AND CAUSES OF ACTION WITHOUT FURTHER COURT APPROVAL.

Upon the motion (the "Motion")¹ of the Debtors for entry of an order, pursuant to sections 105 and 363

¹ Each capitalized term not otherwise defined herein shall have the meaning ascribed to it in the Motion.



of title 11 of the United States Code (the "Bankruptcy Code") and Rules 2002, 9006 and 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for entry of an order authorizing the establishment of procedures to settle certain pre-petition and post-petition claims and causes of action without further court approval; and the Court having reviewed the Motion; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby:

FOUND, DETERMINED, AND CONCLUDED that:

1. Based on the affidavits of service filed, due, proper and adequate notice of the Motion has been given in accordance with the Case Management Order and that no other or further notice is necessary;
2. The Notice Procedures are fair, reasonable, and appropriate.
3. The Settlement Procedures are fair reasonable, and appropriate.
4. The Notice and Settlement Procedures were proposed in good faith.

5. Pursuant to Bankruptcy Rule 9006, cause exists to shorten the applicable notice period in Bankruptcy Rule 2002(a)(3) with respect to each Settlement.

6. Upon the expiration of the applicable Notice Period without an objection or upon resolution of any filed objection after the applicable Notice Period, each Settlement that complies with the Notice and Settlement Procedures shall be deemed (i) fair and reasonable and (ii) to have satisfied the standards under Bankruptcy Code sections 105 and 363 and Bankruptcy Rule 9019.

7. The relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest.

ORDERED, ADJUDGED, AND DECREED that:

8. The Motion is GRANTED.

9. The Debtors are authorized, but not directed, to compromise and settle Disputed Claims and Cause of Action and Receivable Claims in accordance with the Settlement Procedures.

10. The Debtors shall provide key parties in interest with notice of each proposed Settlement. The Notice Procedures are as follows:

(a) The Debtors shall give written notice, by email or facsimile, if available, or overnight courier if email or facsimile are not available, of each proposed Settlement (the "Settlement Notice") to (i) the United States Trustee, (ii) counsel for the Committee of Unsecured Creditors, (iii) any party to the Settlement, and (iv) the Core Group and 2002 List (collectively, the "Notice Parties").

(b) The Settlement Notice (or the Settlement Agreement) shall specify (i) the identity of the other party to the Settlement, (ii) a summary of the dispute with such other party, including a statement of the Debtors' reasonable estimate of the Settlement Claim amount and the basis for the controversy, (iii) an explanation of why the Settlement of such Settlement Claim is favorable to the Debtors, their estates, and their creditors, and (iv) a copy of the proposed settlement agreement ("Settlement Agreement").

(c) The Notice Parties may object to or request additional time to evaluate the proposed Settlement in writing by no later than 5:00 p.m. (ET) (i) five (5) days for both Tier I Disputed Claims and Tier I Cause of Action and Receivable Claims or (ii) ten (10) days for both Tier II Disputed Claims and Tier II Cause of Action and Receivable Claims (each an individual "Notice Period") and serve such objection or request on counsel to the Debtors and counsel for the Creditors' Committee on or before the

expiration of the applicable Notice. If the Debtors are compromising more than one Disputed Claim and/or Cause of Action and Receivable Claim, the Tier II Notice Period shall apply to such Settlement. If no objection or written request is filed and served upon counsel for the Debtors and counsel for the Creditors' Committee or counsel to the Debtors does not receive a written request for additional information and/or additional time prior to the expiration of the applicable Notice Period, the Debtors shall be authorized to enter into and consummate the Settlement Agreement without further order of the Court or any other action by the Debtors.

(d) If a Notice Party provides a written request to counsel for the Debtors for additional information or time to evaluate the proposed Settlement, only such Notice Party shall have the later of (i) an additional five (5) days to object to the proposed Settlement or (ii) in the case of a request for additional information, three days after receipt by the Notice Party of the additional information requested. Each Notice Party may only make one request for additional time per Settlement Agreement, unless otherwise agreed to by the Debtors in their sole discretion.

(e) If a Notice Party objects to the proposed Settlement within the defined Notice Period for that particular Tier of Disputed Claim or Cause of Action and Receivable Claim, (or the additional period in the case of a Notice Party that has timely requested additional time or information to evaluate the proposed Settlement) (the "Objection Deadline") and the Debtors and such objecting Notice Party are unable to reach a consensual resolution,

the Debtors will not take any further action to consummate the proposed settlement without first obtaining Court approval for that specific Settlement. The Debtors are authorized to schedule the Settlement for a hearing at the next scheduled omnibus hearing following the Objection Deadline (or any subsequent hearing) without filing a separate motion or other pleading.

(f) If the Objection Deadline has passed and no objection has been filed with the Court or request for additional time or information has been received by the Debtors, the Debtors are authorized, but not directed, to file a "Certificate of No Objection" with the Court; provided, further, that each such Certificate shall set forth a statement that no objection was filed or received (or if any objection was filed or received, such objection has been resolved) and no request for additional time or information was received or, if such request was received, the additional period of review has expired.

(g) An objection will be considered properly filed and served only if it is filed with the Court, and actually received by the following parties on or before the Objection Deadline: (i) Clerk of the Bankruptcy Court, United States Bankruptcy Court, 701 East Broad Street - Room 4000, Richmond, VA 23219, (ii) the attorneys for the Debtors, (a) Skadden, Arps, Slate, Meagher & Flom, LLP, One Rodney Square, P.O. Box 636, Wilmington, DE 19899, Attn: Gregg M. Galardi (gregg.galardi@skadden.com) and Ian S. Fredericks (ian.fredericks@skadden.com) and (b) McGuireWoods LLP, One James Center, 901 E. Cary Street, Richmond, VA 23219, Attn: Douglas M. Foley (dfoley@mcquierewoods.com)

and Daniel F. Blanks
(dblanks@mcquirewoods.com), and (iii)(a)
Pachulski Stang Ziehl & Jones LLP, 10100
Santa Monica Blvd., 11th Floor, Los Angeles,
California 90067-4100, Attn: Jeff Pomerantz
(jpomerantz@pszjlaw.com) and (b) 780 Third
Avenue, 36th Floor, New York, NY 10017-2024,
Attn: Robert Feinstein
(rfeinstein@pszjlaw.com).

(h) All time periods set forth in the Notice Procedures shall be calculated in accordance with Bankruptcy Rule 9006.

11. Subject to the Notice Procedures, the Debtors are authorized to compromise and settle Disputed Claims as follows:

(a) Tier I With respect to Disputed Claims, the Debtors, in their sole discretion, may negotiate, execute and consummate written Settlement Agreements with the Claimants that will be binding on the Debtors and their estates without further action by this Court. The Debtors may, in full settlement of such Disputed Claims, grant any Claimant an allowed claim of an agreed upon priority or administrative expense claim, as applicable, in an amount not to exceed \$500,000.

(b) Tier II With respect to Disputed Claims, the Debtors, in their sole discretion, may negotiate, execute and consummate written Settlement Agreements with the Claimants that will be binding on the Debtors and their estates without further action by this Court. The Debtors may, in full settlement of such Disputed Claims, grant any Claimant an allowed claim (priority or non-priority, as the case may

be) or administrative expense claim, as applicable, in an amount greater than \$500,000.

12. Subject to the Notice Procedures, the Debtors are authorized to compromise and settle Cause of Action and Receivable Claims as follows:

(a) Tier I With respect to pre- and post-petition Cause of Action and Receivable Claims, the Debtors, in their sole discretion, may negotiate, execute and consummate written Settlement Agreements with third parties that will be binding on the Debtors and their estates without further action by this Court. The Debtors may, in full settlement of such Cause of Action and Receivable Claims, compromise or settle a Cause of Action and Receivable Claim resulting in a cash payment to the Debtors' estates of a value (i) equal to or greater than seventy-five percent (75%) of the Debtors' original reasonable estimate of the Cause of Action and Receivable Claim amount and (ii) equal to or less than \$1,000,000.

(b) Tier II With respect to pre- and post-petition Cause of Action and Receivable Claims, the Debtors, in their sole discretion, may negotiate, execute and consummate written Settlement Agreements with third parties that will be binding on the Debtors and their estates without further action by this Court. The Debtors may, in full settlement of such Cause of Action and Receivable Claims, compromise or settle a Cause of Action and Receivable Claim resulting in a cash payment to the Debtors' estates of a value equal to (i) more than \$1,000,000 or (ii) less than

seventy-five percent (75%) of the Debtors' original reasonable estimate of the Cause of Action and Receivable Claim amount.

13. To memorialize the Settlements, the Debtors are authorized in their sole discretion, but not directed, to enter into Settlement Agreements substantially in the form of Exhibit A attached hereto; provided, further, that the material terms of each Settlement Agreement may vary depending upon the specific facts and circumstances of each Settlement and nothing herein or therein shall be construed as impairing the Debtors' ability to tailor the form of the Settlement Agreement to each specific Settlement.

14. The Debtors are authorized, but not directed, to resolve all of the Disputed Claims and Cause of Action and Receivable Claims of a single party in a single Settlement Agreement.

15. The Debtors shall provide written notice to Kurtzman Carson Consultants LLC ("KCC"), the Debtors' authorized claims and noticing agent, with respect to any proof of claim settled pursuant to these Settlement Procedures; provided, further, that, if applicable, KCC

is authorized and directed to amend the claims register accordingly without further order of the Court.

16. Following entry of this Order, unless otherwise agreed to between the Debtors and the Creditors' Committee, the Debtors' advisors shall provide weekly updates concerning ongoing settlement discussions to the Creditors' Committee's advisors. These updates shall include, without limitation, non-privileged information mutually agreed to among the parties' advisors. Once the Debtors reach an agreement in principle with a third party, the Debtors shall share the material terms of the Settlement with the Creditors' Committee's advisors. All information shared with the Creditors' Committee's advisors shall be deemed shared subject to the existing confidentiality agreement with the Debtors.

17. Assuming no objection has been filed by the applicable Objection Deadline, immediately after the expiration of the Notice Period (or, in the case of a filed objection that has been resolved, upon filing of a Certificate of No Objection) the Settlement Agreement

shall be deemed to be a final order of this Court for all purposes, including for purposes of any appeal.

18. In the event there is an inconsistency between the Motion and this Order, this Order shall control.

19. The requirement under Local Rule 9013-1(G) of the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia to file a memorandum of law in connection with the Motion is hereby waived.

20. This Court retains jurisdiction to hear and determine all matters arising from or related to the Motion, this Order or any Settlement.

Dated: Richmond, Virginia
Aug 7 2009, 2009

/s/ Kevin R. Huennekens

UNITED STATES BANKRUPTCY JUDGE

WE ASK FOR THIS:

Entered on docket: August 10 2009

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- and -

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(804) 775-1000

Counsel to the Debtors
and Debtors in Possession

CERTIFICATION OF ENDORSEMENT UNDER LOCAL RULE 9022-1(C)

Pursuant to Local Bankruptcy Rule 9022-1(C), I hereby certify that the foregoing proposed order has been endorsed by or served upon all necessary parties.

/s/ Douglas M. Foley
Douglas M. Foley

EXHIBIT 2

(Settlement Agreement)

Gregg M. Galardi, Esq.
Ian S. Fredericks, Esq.
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PO Box 636
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Counsel to the Debtors and
Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

- - - - - x
In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
:
Debtors. : Jointly Administered
- - - - - x

**SETTLEMENT AGREEMENT AND STIPULATION BY AND BETWEEN
THE DEBTORS, ACER AMERICA CORP., ACER SERVICE CORP.
GATEWAY, INC., GATEWAY US RETAIL, INC.,
AND EMACHINES, INC.**

This settlement agreement and stipulation (the
"Settlement Agreement") is entered into this 27th day of

October, 2010 by and between Circuit City Stores, Inc. ("Circuit City") and its affiliated debtors and debtors-in-possession¹ (collectively, the "Debtors"), on the one hand, and Acer America Corp., Acer Service Corp., Gateway, Inc., Gateway US Retail, Inc. and Emachines, Inc. (collectively, the "Acer Group" and together with the Debtors, the "Parties" and each of which is a "Party"), on the other hand.

GENERAL BACKGROUND

WHEREAS, on November 10, 2008 (the "Petition Date"), the Debtors filed voluntary petitions in the United States Bankruptcy Court for the Eastern District of Virginia (the "Court") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").

¹ The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc.(6796), Sky Venture Corp. (0311), Prahs, Inc.(n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courcheval, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for the Debtors is 4951 Lake Brook Drive, Suite #500, Glen Allen, VA 23060.

WHEREAS, the Debtors have continued as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

WHEREAS, on November 12, 2008, the Office of the United States Trustee for the Eastern District of Virginia appointed a statutory committee of unsecured creditors (the "Creditors' Committee").

WHEREAS, to date, no trustee or examiner has been appointed in these chapter 11 cases.

WHEREAS, on January 16, 2009, the Court authorized the Debtors, among other things, to conduct going out of business sales at the Debtors' remaining 567 stores pursuant to an agency agreement (the "Agency Agreement") between the Debtors and a joint venture, as agent (the "Agent"). On January 17, 2009, the Agent commenced going out of business sales pursuant to the Agency Agreement at the Debtors' remaining stores. The going out of business sales concluded on or about March 8, 2009.

WHEREAS, the Debtors are authorized pursuant to the Court's Order under 11 U.S.C. §§ 105 and 363, and Fed. R. Bankr. P. 2002, 9006, and 9019 Authorizing the

Establishment of Procedures to Settle Certain Pre-Petition and Post-Petition Claims and Causes of Action Without Further Court Approval, dated August 7, 2009 (Docket No. 4401; the "Settlement Procedures Order"),² to enter into this Settlement Agreement, subject to the Notice Procedures.

SETTLEMENT BACKGROUND

WHEREAS, the Acer Group and the Debtors were parties to certain agreements under which the Debtors purchased goods from the Acer Group for resale in the Debtors stores and on its website.

I. ACER AMERICA CORP. PROOFS OF CLAIM

WHEREAS, Acer America Corp. filed proof of claim number 1769 ("Claim No. 1769") on or about December 11, 2008, asserting a general unsecured non-priority claim in the amount of \$66,982.66 against Circuit City.

WHEREAS, Acer America Corp. filed proof of claim number 6855 ("Claim No. 6855") on or about January

² All capitalized terms not defined herein shall have the meaning ascribed to them in the Settlement Procedures Order.

28, 2009, asserting a secured claim in the amount of \$989,019.34 against Circuit City.

WHEREAS, Acer America Corp. filed an administrative expense request ("Claim No. 14279") on or about June 29, 2009, asserting an administrative expense claim in the amount of \$65,140.02 and seeking to setoff that amount against \$215,563.37 of credits due and owing to Circuit City for marketing Acer America Corp. goods.

II. ACER SERVICE CORP. PROOFS OF CLAIM

WHEREAS, Acer Service Corp. filed proof of claim number 6851 ("Claim No. 6851") on or about January 28, 2009, asserting a secured claim in the amount of \$1,158.36 and a general unsecured non-priority claim in the amount of \$7,892.96 against Circuit City.

WHEREAS, Acer Service Corp. filed an administrative expense request ("Claim No. 14273") on or about June 29, 2009, asserting an administrative expense claim in the amount of \$18,916.70 and seeking to setoff that amount against \$1,635.98 of credits due and owing to Circuit City on account of returned merchandise, reducing the remaining asserted claim to \$17,280.72.

III. GATEWAY, INC. PROOFS OF CLAIM

WHEREAS, Gateway, Inc. filed proof of claim number 6572 ("Claim No. 6572") on or about January 28, 2009, asserting secured claim in the amount of \$1,378,312.73 and a general unsecured non-priority claim in the amount of \$721,729.73 against Circuit City.

IV. GATEWAY US RETAIL, INC. PROOFS OF CLAIM

WHEREAS, Gateway US Retail, Inc. filed proof of claim number 8164 ("Claim No. 8164") on or about January 29, 2009, asserting secured claim in the amount of \$1,378,312.73 and a general unsecured non-priority claim in the amount of \$721,729.73.

WHEREAS, Gateway US Retail, Inc. filed an administrative expense request ("Claim No. 14281") on or about June 29, 2009, asserting an administrative expense claim in the amount of \$874.20 and seeking to setoff that amount against \$9,450.00 of credits due and owing to Circuit City on account of post-petition warranty repair work.

V. EMACHINES, INC. SCHEDULED CLAIM

WHEREAS, the Debtors listed EMachines, Inc. as having a disputed and unliquidated general unsecured

non-priority claim in the amount of \$949,527.31 on schedule F (the "Schedule F Claim").

VI. DEBTORS' ACCOUNTS RECEIVABLES AND ALLEGED AVOIDANCE ACTIONS

WHEREAS, the Debtors assert the Acer Group is liable to the Debtors for accounts receivables in an amount not less than \$ 3,733,995 (the "Accounts Receivables").

WHEREAS, based on a preliminary analysis, the Debtors believe that the Acer Group may have received transfers from the Debtors which may be avoidable under chapter 5 of the Bankruptcy Code (the "Alleged Avoidance Actions").

VII. DISPUTES AMONG PARTIES AND NEGOTIATED SETTLEMENT

WHEREAS, the Debtors dispute their liability to the Acer Group with respect to Claims Nos. 1769, 6855, 14279, 6851, 14273, 6572, 8164, 14281 and the Schedule F Claim (collectively, the "Acer Group Claims").

WHEREAS, the Acer Group disputes its liability to the Debtors with respect to the Accounts Receivables.

WHEREAS, the Acer Group contends that it did not receive any potentially avoidable transfers and that any transfers received by the Acer Group, including the Alleged Avoidance Actions, are subject to defenses and are not avoidable under any avoiding power of the Debtors.

WHEREAS, the Parties have engaged in discussions with respect to resolution of the Acer Group Claims and the Accounts Receivables.

NOW, THEREFORE, subject to and in accordance with the Settlement Procedures Order, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties hereby

STIPULATE AND AGREE AND IT IS HEREBY ORDERED that:

1. The Parties represent that they have engaged in arms' length negotiations to arrive at this Settlement Agreement.

2. As a result of these negotiations, except as otherwise provided herein: (i) the Acer Group including Acer America Corp., Acer Service Corp., Gateway, Inc., Gateway US Retail, Inc. and Emachines, Inc. and their successors and assigns agree to fully and

irrevocably waive and release any and all claims and causes of action that have been, may have been, or could have been asserted by the Acer Group including Acer America Corp., Acer Service Corp., Gateway, Inc., Gateway US Retail, Inc. and Emachines, Inc. and their affiliates against the Debtors and their estates, including but not limited to the Acer Group Claims; and (ii) the Debtors, on behalf of themselves and each on behalf of their respective estates, successors, and assigns, agree to fully and irrevocably waive and release any and all claims and causes of action against the Acer Group, including but not limited to the Accounts Receivables claims (this paragraph, the "Releases").

3. For the avoidance of doubt and notwithstanding anything to the contrary in this Settlement Agreement: (i) the Releases are not intended as general releases or waivers and nothing in this Settlement Agreement shall be construed as such; (ii) the Acer Group and the Debtors specifically acknowledge and agree that this Settlement Agreement is not intended to, and does not, release or otherwise affect in any way

any actual claims or causes of action (or potential claims or causes of action similar in nature or type to such actual claims or causes of action) now or hereinafter asserted in, based on, or relating to the multi-district litigation captioned *In re: TFT-LCD (Flat Panel) Antitrust Litigation*, MDL No. 1827 (N.D. Cal.) and the actions consolidated therein (the "MDL Proceeding"); (iii) all of the Debtors' legal and equitable rights, claims, causes of action, remedies, and arguments under Chapter 5 of the Bankruptcy Code, including but not limited to the Alleged Avoidance Actions, are expressly reserved as against the Acer Group including Acer America Corp., Acer Service Corp., Gateway, Inc., Gateway US Retail, Inc. and Emachines, Inc. and their affiliates; and (iv) all of the Acer Group's legal and equitable rights, arguments and defenses under Chapter 5 of the Bankruptcy Code, including with respect to the Alleged Avoidance Actions and any claims under Bankruptcy Code section 502(h), are expressly reserved.

4. The Acer Group shall execute and deliver to the Debtors all additional papers and documents, including but not limited to forms of withdrawal of proofs of claim, deemed necessary by the Debtors or the claims agent in these bankruptcy cases in conjunction with the Acer Group's performance of its obligations under this Settlement Agreement.

5. Nothing contained herein shall be deemed an admission of liability on the part of the Debtors or the Acer Group with respect to the matters resolved herein.

6. Neither this Settlement Agreement, nor any statement made or action taken in connection with the negotiation of this Settlement Agreement, shall be offered or received in evidence or in any way referred to in any legal action or administrative proceeding among or between the Parties, other than as may be necessary (a) to obtain approval of and/or to enforce any of the terms of this Settlement Agreement or (b) to seek damages or injunctive relief in connection therewith.

7. No provision of this Settlement Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any person other than the Parties and their respective successors.

8. This Settlement Agreement shall be governed by and construed in accordance with the internal laws of the State of Virginia without regard to any choice of law provisions.

9. This Settlement Agreement may be signed in counterpart originals and delivered by facsimile or email, which, when fully executed, shall constitute a single original.

10. This Settlement Agreement constitutes the entire agreement and understanding of the Parties regarding the Settlement Agreement and the subject matter thereof and supersedes all prior discussions, negotiations and understandings between the Parties regarding such subject matter.

11. The Court shall retain exclusive jurisdiction (and the Parties consent to such retention of jurisdiction) with respect to any disputes arising from or related to, or other actions to interpret,

administer or enforce the terms and provisions of, this Settlement Agreement.

12. Each person or entity who executes this Settlement Agreement on behalf of another person or entity represents and warrants that he, she, or it is duly authorized to execute this Settlement Agreement on behalf of such person or entity, has the requisite authority to bind such person or entity, and such person or entity has full knowledge of and has consented to this Settlement Agreement. The representations and warranties set forth in this paragraph shall survive execution of this Settlement Agreement.

13. This Settlement Agreement is effective (the "Effective Date") upon the later of (i) execution by both Parties and (ii) the expiration of the applicable Notice Period.

14. This Settlement Agreement shall not be modified, altered, amended or vacated without the written consent of all Parties and an order of the Court.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

IN WITNESS WHEREOF, the Parties have set their hands in agreement as of the date written above.

CIRCUIT CITY STORES, INC.

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**ACER AMERICA CORP., ACER SERVICE CORP.,
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AND EMACHINES, INC.**

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